

Physician services: Assessing payment adequacy and updating payments

ISSUE: In the March 2005 report, MedPAC will address three issues concerning Medicare's payments for physician services: Are current payments adequate? How are costs expected to change in 2006? What is an appropriate payment update for 2006?

KEY POINTS: The available information presents a generally positive, but mixed picture on payment adequacy:

- *Beneficiary access:* Survey data from 2003 and 2004 indicate that on a national level, beneficiaries generally have good access to physicians, but some beneficiaries report having difficulties.
- *Physician supply:* The ratio of physicians to beneficiaries and the proportion of physicians signing participation agreements with Medicare continued to increase in 2003, as it has in previous years.
- *Comparison with private insurer reimbursement:* Between 2002 and 2003, we see virtually no change in the ratio of Medicare to private insurer physician fees.
- *Volume:* The volume of physician services has grown steadily since 1999. A few specific services have experienced decreases in volume, but there is no evidence that the decreases are due to inadequate payments.

ACTION: At this meeting, the Commission will discuss the adequacy of payment for physician services and consider payment updates.

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